

INSTALLATION

To install your new tools, follow these instructions:

- 1) Get into the QuickEditor by going TOOLS-QUICKEDITOR.
- 2) Click TRANSFER.
- 3) Select the second button: "Transfer Analysis Techniques FROM EasyLanguage Archive File (.ELA)".
- 4) Find the floppy disk through BROWSE-DRIVES-A:.
- 5) A list will appear with possible tools to transfer. Select the one you wish to transfer by clicking on it then hitting OK-OK.
- 6) Choose "Transfer All."
- 7) If there are more tools you wish to transfer from the same disk, just repeat these steps.

INDEX OF FUNCTIONS AND INDICATORS

The following user functions have been included:

MA_ExBar1(qual,len): Finds turning points in real time. Returns a 1 for a buy, a -1 for a sell, and a 0 when there are no signals. This tool will be split into 2 "ShowMe" studies for SuperCharts users.

qual is a parameter setting that compares prices over a certain number of bars to detect oversold or overbought conditions.

Higher values will result in fewer signals, lower values will result in more signals. Default is 6 which means that exhaustion areas will be at least 6 bars long.

len tells the function how many bars back to consider when determining whether the market is at an exhaustion level. This filters out incorrect signals that occur midway through a move rather than at the end of it. Larger lookback will result in fewer, more accurate signals. Smaller lookback values will result in more signals, but they will be less accurate. Default is 30.

MA_ExBar2(qual): Finds turning points in real time using a different pattern than MA_ExBar1. Returns are the same. Also will be found as 2 ShowMe studies for SuperCharts users.

qual is similar to qual in MA_ExBar1. Default is 5.

MA_Trendlines(tfilt,delay,intrady,dncolor,upcolor): Automatically draws trendlines on any chart using pivot points. Return is always 0.

tfilt can be used to filter out trendlines that have flat or nearly flat slopes. Trendlines will only be drawn between pivot points that are more than tfilt points apart. Default is 0, which means that everything will be drawn except horizontal trendlines.

delay tells the indicator how many bars to the right a trendline should be shifted. A value of 0 will connect pivot points as do classical trendlines. Default is 3.

intraday is a true/false input that tells the function whether or not the chart is intraday data. This is necessary due to the way MA_Trendlines keeps track of pivots. If the chart is an intraday one, use a setting of “true” for this input. Otherwise, use “false.”

dncolor tells the function what color trendlines connecting lows should be drawn. See the included color chart for all possibilities.

upcolor works just like dncolor except for trendlines connecting highs.

Many hundreds of indicators have been invented over the years to try and determine whether or not a market is close to forming a turning point. The majority of these indicators are called oscillators and plot a squiggly line on the chart that tells a trader to sell when it crosses below a certain threshold from above and to buy when it crosses above a different threshold from below. The two most famous oscillators are Stochastics and RSI.

These oscillators have some value, but have a major defect which often renders them next to useless. They have a tendency to get overloaded during strong trends and will instruct a trader to continuously sell into a rally or buy into a decline. Obviously, this is not a smart thing to do and the result is that many people have lost considerable amounts of money by following their oscillators.

We recognized the value of an overbought/oversold indicator, and have devised a method that maintains the good points of the classical oscillators while doing away with many of their bad qualities. Our exhaustion bar studies are pattern based, which means that there is no way for a strong trend to overload a mathematical formula. Either the pattern is present or it is not. There are two of these studies which can be used separately or together as you see fit.

MA_ExBars1 and MA_ExBars2 both scan current market conditions for specific patterns that tend to occur at tops and bottoms of blow off

moves. When one of these patterns is found, the functions will signal a 1 or a -1 depending on whether the pattern is a bottom or top. Otherwise, the functions will return a 0.

Use these studies to locate buying or selling opportunities. They are very powerful, especially when combined with other methods of analysis. If trading purely off of them, we recommend buying or selling on a stop instead of using market orders. This way the market will be allowed to confirm or deny the signal. For example, if a sell signal has been given, you might decide to place your sell stop 1 tick below the low of the signal bar, and move it up if prices increase. This way you will tend to get in closer to the actual top of the move instead of right in the middle of it in the case of an early signal.

One very good way to filter out bad signals is to use the following approach. Once a signal appears (let's say its a sell signal), place your stop below the lowest low of the last two bars. As the market rises, move your entry stop up below new lows, but always below the lowest low of the last two bars. Keep moving the stop up until you are filled or four bars have passed without getting filled. Once four bars have passed without a move below the lowest low of the last two days, the odds are that this is not a high. Although this is a fairly simple approach, it is surprising how many tops can be sold and bottoms can be bought when using it. You will have to experiment to find the best entry techniques for your style of trading and risk tolerance.

Both of these studies work well on all time frames and markets, and you will have to decide which study (or both) you want to use in your own trading. We have noticed that MA_ExBars1 tends to work better on daily charts while MA_ExBars2 tends to work better on streaky data such as the 1 minute S&P 500.

TradeStation users will receive two indicators “MA_Exhaustion Bars 1” and “MA_Exhaustion Bars 2” which will plot dots above suspected highs and below suspected lows. SuperCharts users can create similar utilities by making ShowMe studies in the QuickEditor. A separate study will have to be made to show the highs and the lows since there is only one plot statement available. This should be very easy to do, but you may call for assistance if you have trouble.

Also included with the Exhaustion Bars package is MA_Trendlines which will automatically draw trendlines on your chart. MA_Trendlines tracks pivot points as they occur and keeps a record of them. A pivot low is a low surrounded by two higher lows and a pivot high is a high surrounded by two lower highs. If MA_Trendlines detects a pivot low higher than the last pivot low, it will connect them with a trendline. A pivot high lower than the last pivot high will also warrant that a trendline be drawn. This means that only declining trendlines will be drawn above the highs and only rising trendlines will be drawn beneath the lows.

MA_Trendlines has a few interesting features which we should also cover. Often times, connecting a pivot low to another pivot low directly results in a trendline that is too close to the market. This will result in many false breakouts which will end up frustrating the trader. By delaying the trendline by a few bars, a much more useful tool is created. MA_Trendlines has an input called “delay” that will do this. A delay of 3 will move every point in the original trendline over 3 bars. A delay of 5 will move the trendline over 5 bars. A delay of 3 seems to work best, but you should experiment to see what delay works best for your application.

The colors of the trendlines may also be adjusted. At the end of this manual, we have included a color chart that will tell you all the possible settings you may use. Note that you may enter either a number or the phrase for the color. For example, red trendlines will result if either a “6” or the word “Tool_Red” are input to the function. Note that you may use different colors for rising and declining trendlines.

You will notice that the trendlines are not extended to intercept prices. In order to keep the workspace clean, we decided not to have our study do this. If you are looking for breakouts, you may extend the trendline using the Drawing Object Modifiers included with both SuperCharts and TradeStation. Just click on a trendline, click on the Drawing Object Modifier Icon (it looks like a blue X with a diagonal red line going through it) then click on the “Extend Right” icon to extend your trendline. Once the breakout has occurred, you can get rid of the extension by clicking on the “Truncate” icon instead.

As with the Exhaustion Bars, TradeStation users receive an indicator which will draw the trendlines for them while SuperCharts users will have to labor under the QuickEditor to receive a similar indicator. Don’t worry, it is very easy to do. All you have to do is call the function and the trendlines will be drawn. Since the function returns a 0, you may get tired of the line at the bottom of your screen and wish to hide it. Just go `FORMAT-ANALYSIS TECHNIQUES-PROPERTIES-SUBGRAPH-HIDDEN`. This will hide the horizontal line but leave the trendlines.

CONTACT INFORMATION

We hope you find your new tools useful and trouble free. If you do have problems or questions, you may contact Erik Been at (303) 494-7613 or may send email to erik@marketanalytics.net. Also, you may wish to check www.marketanalytics.net often to keep ahead of new products or offerings.

Good Trading!

INSTRUCTIONS FOR CREATING SUPERCHARTS INDICATORS

Since the PowerEditor version of our indicators will not work in SuperCharts, users of this program will occasionally need to create their own indicators using the QuickEditor. This is no reason to

worry, since compatible indicators can be created from within SuperCharts using the following instructions:

- 1) Start SuperCharts and open the QuickEditor.
- 2) Click the indicator tab to specify that you wish to make an indicator and select "New."
- 3) Name your new indicator. We like to start everything off with "MA_" so that all of our tools are together, but the name is entirely up to you.
- 4) Click the "Inputs" tab and fill in the blanks with the names of the inputs. The appropriate inputs for your function can be found at the front of this manual under the Index of Functions section. Keep the same names to avoid confusion.
- 5) Once the inputs have been specified, click the "Formula" tab and fill in the blank next to Plot1 with the function name including inputs. Copy it as it has been written in the Index of Functions in this manual or use the Function Wizard at the bottom of the screen to select it from the list of available functions.
- 6) If you wish to add other plots, do them now. Buy zones, sell zones, and zero lines are always useful. In the case of MA_Predict, you may also wish to plot the original predicted variable for comparisons sake.
- 7) Next click the "Style" tab and set the colors for each plot.
- 8) After you have set the colors, you should go to scaling and make sure the settings match what you wish to plot. Choose "Screen" if you want the indicator to be separate from the price data. Choose "Same as Price Data" if you want the indicator to be overlaid on top of price as in the case of moving averages.
- 9) Now you should be done. Click the OK button and SuperCharts will verify your study. If there are problems you will be warned.

10) Your indicator is complete. Open a chart and click on INSERT-ANALYSIS TECHNIQUES-INDICATORS. Find your indicator and select it to apply it to the chart.

COLOR CODES FOR MA_TRENDLINES

Note that the function will accept either the number or the word in the following list as an input to change the colors of the trendlines.

Tool_Black	1	
Tool_Blue	2	
Tool_Cyan	3	
Tool_Green	4	
Tool_Magenta		5
Tool_Red	6	
Tool_Yellow		7
Tool_White	8	
Tool_DarkBlue	9	
Tool_DarkCyan	10	
Tool_DarkGreen	11	
Tool_DarkMagenta		12
Tool_DarkRed		13
Tool_DarkYellow	14	
Tool_DarkGray	15	
Tool_LightGray	16	

Market Analytics

Exhaustion Bars Manual